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SIPDIS

DEPARTMENT FOR NEA/ELA; DRL/IL FOR ANZALDUA

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TAGS: [ELAB](#) [ECON](#) [PGOV](#) [PREL](#) [KDEM](#) [EG](#)
SUBJECT: MAHALLA ONE YEAR AFTER THE STRIKE

REF: A. 08 CAIRO 783
[1](#)B. 08 CAIRO 930

Classified By: Minister-Counselor for Economic and Political Affairs
William R. Stewart for Reason 1.4 (d).

[1](#)1. KEY POINTS

-- (C) On March 10, we visited Misr Spinning & Weaving Company in the Egyptian Nile Delta city of Mahalla, the largest manufacturing company in Egypt and a hotbed of labor activism. The factory's workers staged a wildcat strike in April 2008, sparking violent riots in Mahalla (ref A).

-- (C) Although officials at the state-owned company had previously agreed to let us tour one of its Mahalla factories, upon our arrival, Fouad Abdel Alim Hassaan, the company's chairman, informed us that the visit would be limited to a meeting with him. Two officials from Egypt's State Security Investigations Service (SSIS) - after questioning an Embassy LES employee about the reason for our visit - joined the meeting and, at one point, cautioned the chairman not to deviate from prepared talking points.

-- (C) Hassaan said that nearly one year after the April 2008 strike, there are no longer labor tensions. According to Hassaan, the increase in the workers' meal allowance granted by management in response to the strike and the 30% wage increase decreed by the GoE in April 2008 (ref B), along with declining food prices, satisfied the workers' economic demands.

--(C) Hassaan attributed the April 2008 strike to economic dissatisfaction, along with his predecessor's failure to maintain communications with labor leaders. He blamed the violence associated with the strike on "outsiders" using the workers' strike to advance a political agenda.

[1](#)2. COMMENT

--(C) It was apparent that the two SSIS officers - one identified himself as an SSIS general, the other a major - who attended our meeting with Hassaan had significant influence over him, despite Hassaan's position as chairman of the largest state-owned company in Egypt, one that employs 24,000 workers. Hassaan - a former member of parliament with many years experience managing state-owned businesses - was visibly uneasy with their presence and appeared to comply with their directives. A week before our visit, Hassaan had personally agreed to lead us on a tour of at least one of the company's factories. We suspect that the SSIS officers had just learned of our visit and ordered Hassaan to cancel the factory tour. Hassaan appeared taken aback when the SSIS officers passed him a note during the meeting reminding him not to deviate from prepared talking points. The interaction we witnessed was a reminder of the pervasive influence of Egypt's security services and the GoE's sensitivity to any discussion of labor unrest.

--(C) Hassaan's view that the situation in Mahalla is generally calm and that the April 2008 violence was driven by "outsiders" was similar to what we recently heard from Kamal Abbas, one of Egypt's leading labor activists and director of the Center for Trade Union and Workers Services, an NGO frequently at odds with the GoE. According to Abbas, the situation in Mahalla and at Misr Spinning & Weaving is generally calm, although he said factory management is fueling bad feelings by transferring some labor leaders to other factories. Abbas also worries that textile factories will be hit hard by the global economic crises and this could lead to unrest. On the April 2008 Mahalla riots, Abbas said that the Facebook activists who called for a nation-wide strike in support of the workers are "intent on regime change," "hijacked" the Mahalla workers apolitical campaign for higher food allowances, and "put the workers in front of the GoE,s guns."

CANCELED FACTORY TOUR

3.(C) We arrived at the offices of Misr Spinning & Weaving on March 10 for a scheduled meeting with Hassaan and a tour of one of the state-owned enterprise's factories. While waiting in a reception area for Hassaan, two unidentified men - whom we assumed to be employees of the business - pulled aside an Embassy LES employee. They identified themselves to him as SSIS officers, one a general and the other a major, and asked the LES employee a series of questions, including our identities and positions at the embassy, the topics we

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intended to discuss, and the itinerary for our visit to Mahalla. We were then ushered into Hassaan's office. Hassaan opened the meeting by explaining that we would be unable to visit any of the enterprise's factories - something he had previously agreed to - because "some of the workers heard you were investors seeking to privatize the company." He said, therefore, that "all we would learn would have to come from the meeting" with him.

4.(C) Hassaan continued by reading from what appeared to be prepared talking points, primarily describing the salary and benefits paid to the company's workers. After we asked questions about the labor situation in Mahalla, the SSIS officers passed Hassaan a note, which according to the LES employee who was able to read it, directed Hassaan to "stick to the prepared points." The note also conveyed the SSIS officers' dissatisfaction with Hassaan speaking to us in English.

THE APRIL 2008 STRIKE AND CURRENT LABOR CONDITIONS

5.(C) Responding to our questions regarding the April 2008 strike, Hassaan said it was driven by economic and not political issues. He said that price increases in early 2008 had eroded the value of the workers' salaries and their primary reason for striking was to obtain an increase in their "meal allowance," which company management granted. Hassaan said that the 30% wage increase that the GoE granted to all government workers in May 2008, along with a recent easing of food price inflation, had resulted in a largely satisfied work force. As a result, Hassaan said he did not expect a repeat of the April 2008 unrest.

6.(C) On the causes of the violence associated with the April 2008 strike, Hassaan attributed it to "outsiders" who he said used the strike to advance a political agenda. Hassaan also blamed his predecessor, who he replaced in November 2007, for failing to communicate effectively with labor leaders, leading to worker frustration, something he suggested contributed to the violence.

